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Diana T Fritz 03/20/2007 03:46:14 PM From DB/Inbox: Search Results

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CONFIDENTIAL

SIPDIS
TELEGRAM

November 23, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 5076 - ROUTINE)
TAGS: EAIR, ECON, EPET, PGOV, PREL, SOCI
Captions: None
Subject: UAE: TALK ABOUT TOWN
Ref: None

C O N F I D E N T I A L ABU DHABI 05076

SIPDIS
Laser1:
INFO: FCS
CXABU:
ACTION: ECON
INFO: DCM POL AMB P/M

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA: RALBRIGHT
DRAFTED: ECON:CCRUMPLER
CLEARED: ECON: OJOHN; POL/ECON: MCARVER

VZCZCADI993
RR RUEHC RUEHZM RUCPDOC RHEBAAA RUEAIIA RHEFDIA
RUCJACC
DE RUEHAD #5076/01 3271403
ZNY CCCCC ZZH
R 231403Z NOV 03
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 2497
INFO RUEHZM/GCC COLLECTIVE
RUCPDOC/USDOC WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUCJACC/USCINCCENT MACDILL AFB FL

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 005076

SIPDIS

NOFORN

DEPT FOR NEA/RA, NEA/ARP, INR/EC, EB/IEP, EB/CBA
USDOE FOR INT'L AFFAIRS - COBURN, ALSO CALIENDO
USDOC FOR 1000/OC/
USDOC FOR 4520/ITA/IEP/ONE
USDOC FOR 4530/ITA/MAC/ONE/DGUGLIELMI
4500/ITA/MAC/DAS/WILLIAMSON
3131/CS/OIO/ANESA

E.O. 12958: DECL 11/23/08
TAGS: [EAIR](#) [ECON](#) [EPET](#) [PGOV](#) [PREL](#) [SOCI](#) [TC](#)
SUBJECT: UAE: TALK ABOUT TOWN

11. (U) Classified by Charge d'Affaires Richard A.

Albright, for reasons 1.5 (B) and (D).

¶2. (U) This is the first in a series of "Talk About Town" cables that the U.S. Mission in Abu Dhabi and Dubai hopes to provide on a periodic basis. These cables will report on local business atmospherics and commercial developments and, although uncorroborated by UAE officialdom and anecdotic in nature, should provide Washington audiences with the information we hear frequently in the majlises and living rooms throughout the UAE.

Come Fly The Friendly Skies

¶3. (C) Econchief recently attended inauguration ceremonies for Al-Ittihad Airways -- the so-called "national airline of the UAE" -- which began commercial operations on November 12. Abu Dhabi Crown Prince Sheikh Khalifa bin Zayid has openly acknowledged his patronage of the airline, which already has 200 crewmembers and 3 leased aircraft and is wholly owned by the Emirate of Abu Dhabi. Al-Ittihad initially will fly Abu Dhabi to Beirut, and the company intends to purchase 6 Airbus aircraft next year and expand its operations as quickly as possible. Although Al-Ittihad officials denied to Econchief that the new airline would take business away from Dubai's Emirates Air or the regional Gulf Air, it appears that Al-Ittihad will in fact compete directly with Emirates for prime international routes to the United Kingdom and Indian subcontinent. Rumors that Bahrain is lining-up financing to buyout Gulf Air (currently owned jointly by Bahrain, Abu Dhabi, and Oman) have fueled speculation that Khalifa will pull Abu Dhabi's support for the regional airline once he becomes UAE President.

Drowning In Good Fortune

¶4. (C/NF) The UAEG-owned power plant at Shweihat reportedly is pumping 100 million gallons of unused desalinated water a day into the sea, at a cost to the Abu Dhabi Water and Electric Authority (ADWEA) of nearly 5 million dirhams each day in lost revenue. ADWEA selected CMS Energy to build and operate the Shweihat power and water plant two years ago, and while CMS finished construction of the plant 3 months ahead of schedule -- the plant began producing desalinated water in September -- the contract to build the network of pipelines from Shweihat to Abu Dhabi ultimately (and after several rounds of re-tendering) was awarded to a French company. This delay in the award process pushed the construction of the pipeline network behind schedule by 8-9 months, and FCS specialists have learned that the pipelines will not be ready until October 2004.

Shaykhly Shenanigans

¶5. (C/NF) Shaykh Mansour bin Zayid, Director of the President's Office, reportedly is becoming more active in Abu Dhabi business circles. Local oil executives say he is proposed building an artificial island near Abu Dhabi as a petroleum free zone. "Oil Island" would capitalize on Dubai's free zone model, but with Abu Dhabi's obvious appeal as the oil capital of the UAE. Local transportation companies also are complaining that Mansour recently manipulated UAE law to win a contract for the transport of pipes from Mina Zayid to Shweihat power plant. UAE law states that the 160cm diameter pipes must be transported on trucks measuring 12 x 3 meters. Mansour's transportation company owns trucks with wider dimensions, and local businessmen claim that the UAE law regulating the size of the trucks was recently altered -- requiring wider trucks to transport 160cm diameter pipes. Mansour's company reportedly was the only firm in the running with a fleet of

wide-bed trucks, and outbid the closest competitor by more than 10 million dirhams.

Dolphin's Days May Be Numbered

¶6. (C/NF) Despite signing long-term gas supply agreements with the UAE's major power suppliers in October, local businessmen speculate that the Dolphin project has stalled. The project has lost steam, reportedly because Qatar signed a \$12.5 billion deal with ExxonMobil to produce and liquefy Qatari gas and ship it to the United States. The UAE and the Dolphin project, more generally, have become less important to the Qatari leadership, which has not yet finalized the production agreement with the Dolphin consortium. Dolphin has not secured either upstream pricing agreements with Qatar or downstream pricing agreements with customers in the UAE (see Abu Dhabi 4694), and Dolphin execs privately have said they require \$2 per 1 million cubic feet of gas in order for the project to turn a profit. It is going to be difficult for Abu Dhabi to reach an agreement on pricing with Dubai (which currently receives highly subsidized gas from Abu Dhabi) that is also acceptable to Dolphin's international partners. Adding to Dolphin's nervousness is the fact that ADNOC also recently announced in its five-year strategic plan that the national oil company will shift its short-term focus to gas production -- an ominous sign perhaps from Abu Dhabi's leadership that it has little faith the Dolphin project will ever come to fruition. The Dolphin project is a make-it-or-break-it deal for U.S. company Occidental Petroleum, which offered \$350 million for a 24.5 percent stake in the Dolphin project.

You've Got Mail...But That's It!

¶7. (SBU) Some Embassy families were surprised to learn this week that the local telecom monopoly, Etisalat, has blocked access to the popular American software and browser, America Online (AOL). Indeed, Embassy officials confirmed with Etisalat that the UAE's proxy server (a firewall providing extra security and restricting access to certain objectionable Internet content) is now configured to block the Internet port used by the AOL desktop software. AOL account users can still access their email via the web and other browsers, such as Netscape and Explorer, but have lost the standard AOL features (Instant Messenger, AOL chat rooms, etc.) accompanying the AOL desktop software. Working level Etisalat staff could not explain the change in policy or why AOL desktop software is objectionable, but noted that the UAE Government -- not Etisalat management -- would have made such a decision.

Albright